Qatar Gas Company (Nakilat)

Executive Summary

- By Mid-year, the company's profits increased by approximately 3.7% totalling QAR859.66 millions, up from QAR 829.111 million. Earnings per share (EPS) rose to QAR 0.16, compared to QAR 0.15 previously.

- In Q profits rose 4.1% year-over-year to QAR 426.4 million, while Q1 2025 profits were QAR 433.2 million, marking the best quarterly profit since Q3' 2024.

- Nakilat currently operates a modern fleet comprising 69 LNG carriers, 2 very large LPG carriers, 1 FSRU, and a remarkable order book that includes 36 LNG carriers and 4 LPG/ammonia carriers. This substantial fleet ensures significant earning visibility, with a firm contract backlog of 858 years, along with an extra 585 years of option periods for wholly owned vessels.

- Revenues experienced a robust growth of 1.3%, reaching QAR 27.2 billion. This positive trend was largely fueled by a significant increase in fleet revenues, effectively counterbalancing declines in joint venture and investment revenues.

- The rise in revenue was mainly fueled by increased earnings from wholly owned LNG vessels and improved performance of LPG vessels, although this was somewhat counterbalanced by diminished contributions from LNG joint ventures.

- The company's expenses saw a decline of about 4.5%, largely attributed to reduced finance charges resulting from higher capitalized interest on new builds, lower refinancing margins, scheduled loan repayments, and decreased average variable interest rates.

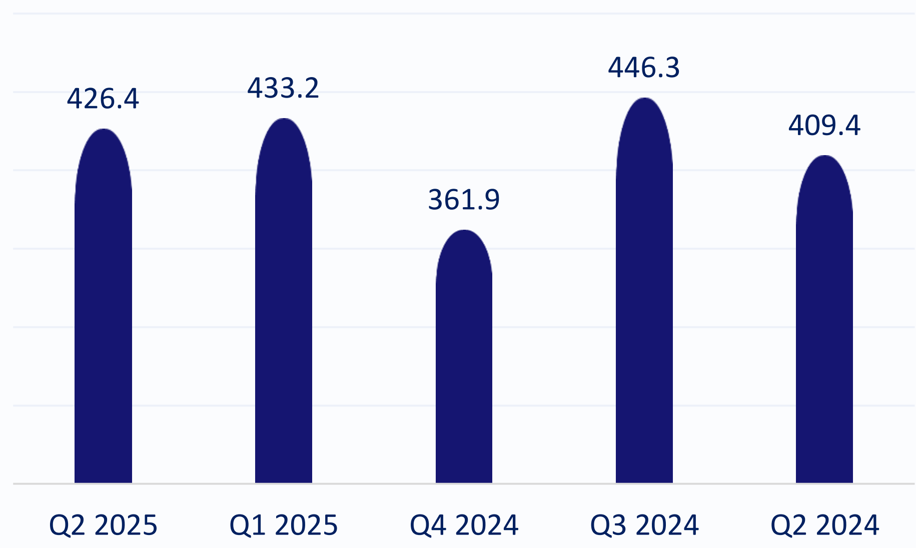
- The company consistently generated profits despite market volatility and geopolitical uncertainty, highlighting the strength of its long-term contracts and efficient operations.

- Nakilat is implementing an extensive new build program aimed at expanding and modernizing its fleet, thereby reinforcing its status as a global leader in LNG and LPG transportation. This strategic effort involves the construction and acquisition of several vessels to meet the growing global demand for clean energy transportation.

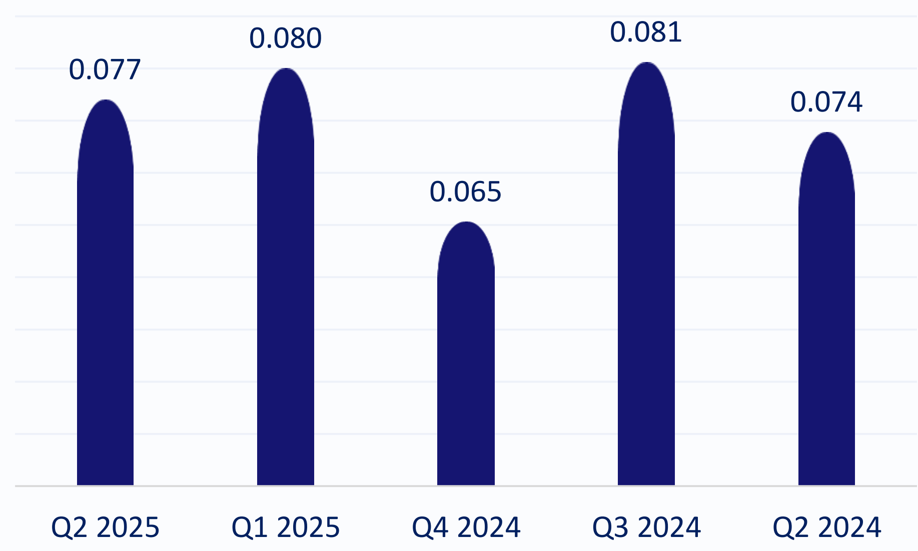
- The new build program will expand its fleet from 72 vessels to 112 vessels upon completion, significantly enhancing its transportation capacity.

- Nakilat's Board of Directors has approved interim cash dividends of 7.2 Qatari dirhams per share for the first half of 2025, ending June 30. Shareholders holding shares at the close of trading on August 6, 2025, will qualify for these dividends.

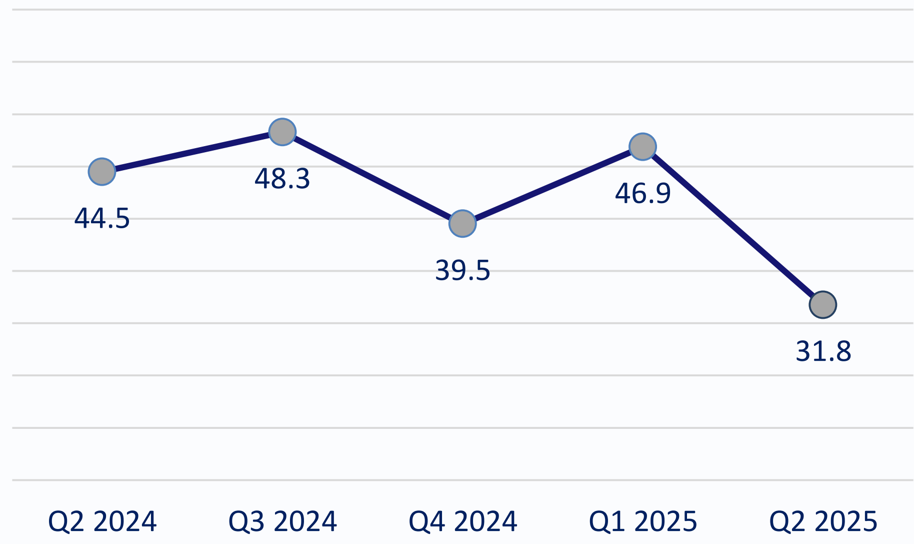
Quarterly Net Income (million)



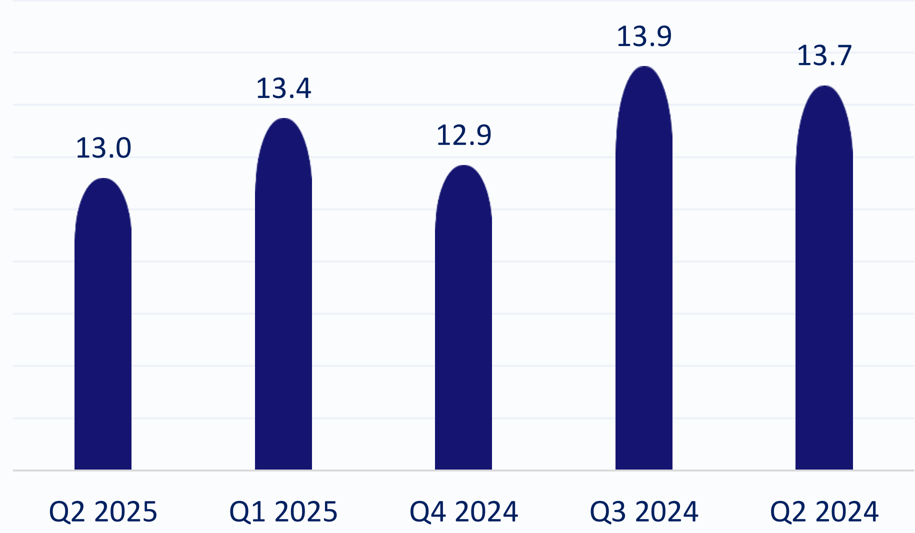
Quarterly EPS (QAR)



Profit Margin %



ROE %



1H25 Income Statement Highlights

Revenue from Operations

2Q-25: QAR 2.20B vs 2Q-24: QAR 2.17B

Revenue from operations increased by ~1.3% due to higher revenue from wholly owned LNG vessels, better performance on LPG vessels, partially offset by lower contributions from LNG joint ventures.

General and Administration Expenses

2Q-25: QAR 37M vs 2Q-24: QAR 48M

General and administration expenses decreased by ~23.8% due to timing variation of costs and continuous optimization initiatives.

Interest, Dividend and Other Income

2Q-25: QAR 65M vs 2Q-24: QAR 117M

Interest, dividend and other income decreased by ~44.4% mainly due to lower interest income resulting from capital deployment in Nakilat's newbuild program.

Amortization & Depreciation of PPE

2Q-25: QAR 434M vs 2Q-24: QAR 410M

Amortization & Depreciation of PPE increased by ~5.9% mainly due to the completion of the vessels dry-docking cycles, which resulted in a higher depreciable asset base.

Operating Costs

2Q-25: QAR 414M vs 2Q-24: QAR 408M

Operating costs increased by ~1.6% due to the first-time recognition of the LPG OPEX costs and execution of planned operating activities comparing to prior year.

Finance Charges

2Q-25: QAR 511M vs 2Q-24: QAR 595M

Finance charges decreased by ~14.2% primarily due to the scheduled repayment of interest-bearing loans, refinancing at lower margins, lower average variable interest rates and the higher capitalization of interest related to investments in Nakilat's newbuild program.

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Balance Sheet Highlights (as of 30 Jun'25)

Property and Equipment

2Q-25: QAR 24.85B vs 4Q-24: QAR 24.54B

Property and equipment increased by ~1.3%, a marginal variance due to capitalized interest, accounting recognition of two LPG vessels from joint ventures, partially offset by annual vessel depreciation.

Cash and Deposits Balances

2Q-25: QAR 2.37B vs 4Q-24: QAR 2.62B

Cash and deposits balances decreased by ~9.5% mainly driven by installments paid against new build program, dividend paid to shareholders for fiscal year 2024, and scheduled repayment of interest-bearing loans.

Borrowings

2Q-25: QAR 18.90B vs 4Q-24: QAR 19.46B

Borrowings decreased by ~2.8% primarily due to the scheduled repayment of loans, reflecting Nakilat's commitment to reducing its debt burden and strengthening its financial position.

Accounts Payable, Accruals and Other Liabilities

2Q-25: QAR 1.98B vs 4Q-24: QAR 1.60B

Accounts payable, accruals and other liabilities increased by ~24.1% reflecting higher advances from the hub business and accrued interest on borrowings.

Net Fair Value of Interest Rate Swaps

2Q-25: QAR (43.9M) Liability vs 4Q-24: QAR 353M Asset

Fair value of interest rate swaps decreased by 112.0% mainly due to mark-to-market adjustments reflecting movements in floating interest rates. This significant change highlights the impact of interest rate volatility on Nakilat's financial instruments and the importance of the company's hedging strategies in managing interest rate risk.

Overall, Nakilat's balance sheet remains strong, with a solid asset base, manageable debt levels, and adequate liquidity to support its operations and strategic initiatives. The company's prudent financial management is evident in its scheduled debt repayments and strategic allocation of resources to its newbuild program.

Net Borrowing (1H25)

- Nakilat maintains a solid financial position with a structured debt profile and no upcoming maturities, ensuring stability and flexibility for growth.
- The company's business model requires it to depend on borrowing and debt as part of its financing strategy to purchase tankers, making it vulnerable to changes in interest rates.
- Net debt represents approximately 134% of shareholders' equity, while it is about 51% in relation to total assets.

0.5%

Debt Reduction

Decrease in borrowings from QAR 17.7B in 1Q-25 to QAR 17.6B in 2Q-25

9.5%

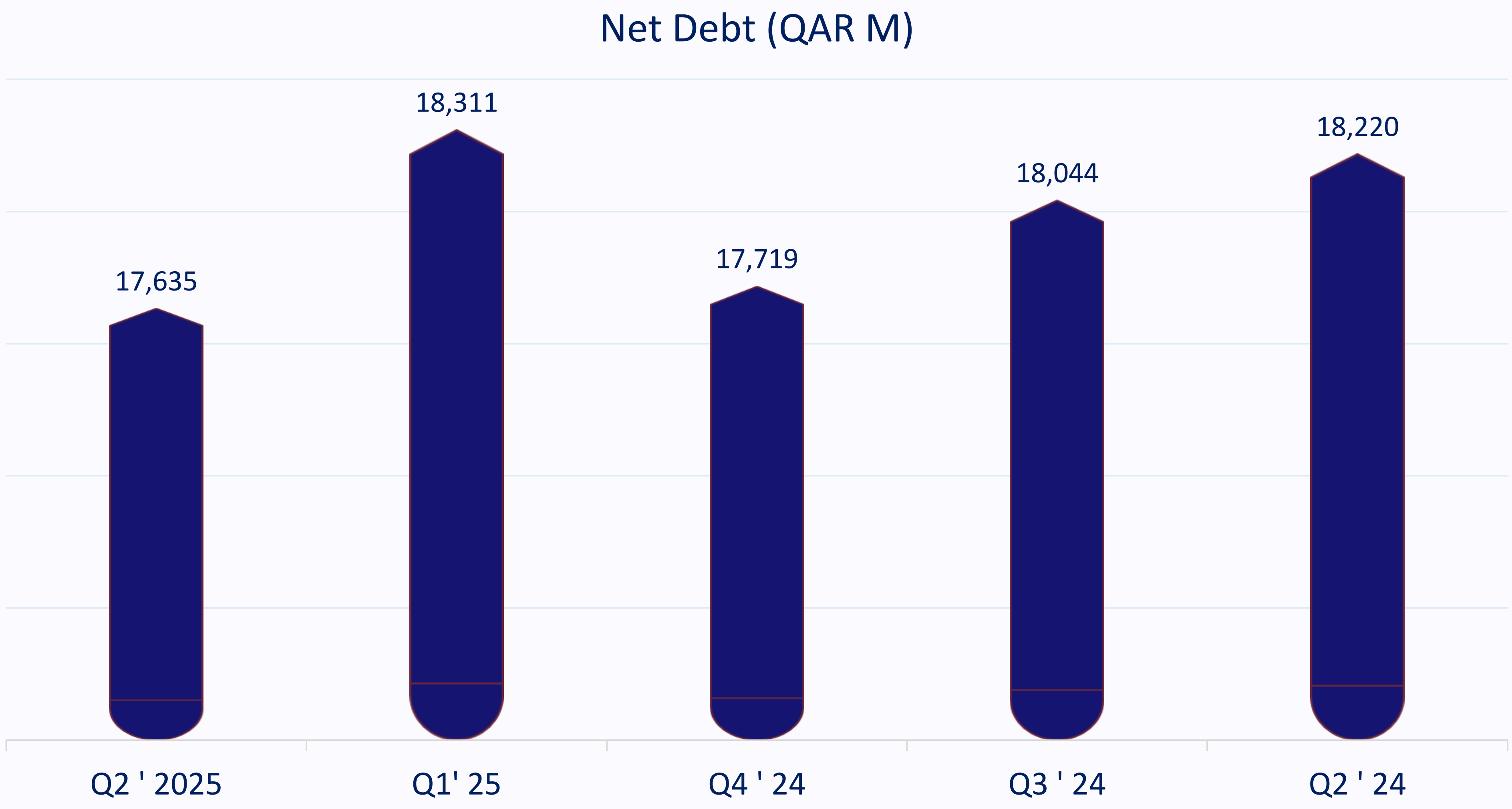
Cash Utilization

Decrease in cash and deposits from QAR 2.62B in 4Q-24 to QAR 2.37B in 2Q-25

14.2%

Finance Cost Reduction

Decrease in finance charges from QAR 595M in 2Q-24 to QAR 511M in 2Q-25



With no debt maturities prior to 2029, Nakilat is well-positioned to navigate potential market volatility and capitalize on strategic growth opportunities, ensuring long-term financial stability and shareholder value creation.

	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Net Debt (QARm)	17,635	18,311	17,719	18,044	18,219
Net Debt to Equity %	133.6	142.5	133.6	154.0	149.4
Current Ratio x	1.1	1.2	1.5	1.3	1.5

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QATAR SECURITIES Co.(P.Q.S.C)

Stock Info	
Weight in QSE index	5.75%
Current Market Price	4.84
Shares Outstanding (Mn)	5,540
Market Cap (Mn)	26,787
52-Wk High (11 Jun 25)	5.15
52 Wk Low (26 Dec 24)	4.00
Average Trading Price YTD	4.51

Per Share Data	
EPS Trailing 12M	0.30
EPS Annualized	0.31
EPS expected	0.31
Book Value Per Share	2.38
Dividends Per Share €	0.15

Valuation Ratios	
P/E using TTM EPS	16.06
P/E using Ann EPS	15.60
P/E using expected EPS	15.60
Average PE during 2020	14.98
P/BV	2.03
Dividends Yield	3.10%

Key Financials	H1 ' 25	H1 ' 24
Operating Income (Mn)	2,202	2,173
Net Profit (Mn)	860	829
Net equity (Mn)	13,194	12,348
Total Assets (Mn)	34,492	33,521
Total Loans (Mn)	18,904	19,447
Total Cash& Deposits (Mn)	2,373	2,603

Financials Ratios	H1 ' 25	H1 ' 24
ROE (LTM)	13.0%	13.4%
Loan / Equity	143.3%	157.5%
Loan / Assets	55%	58%
Cash Ratio	12.6%	13.4%

Stock Performance	QGTS	Index
YTD Return	16.53%	5.40%
1 Month Return	-3.24%	3.46%
6 Month Return	10.14%	4.32%
1 Year	6.22%	9.55%

Share Holdings Pattern	
Milaha	36.25%
G.retirement & Pension fund	14.24%
Vanguard	2.11%

Geographic ownership	
Qatar	85.90%
USA	7.50%
Norway	2.40%

Ownership Type	
Corporations	57.60%
Pension funds	22.20%
Investment Advisor	11.00%

	Q2' 24	Q3' 24	Q4' 24	Q1' 25	Q2' 25
Gross Profit Margin%	78.9	76.52	77.84	78.59	82.9
EBITDA Margin %	76.59	73.55	76.15	73.25	81.55
Net Income Margin %	46.23	44.48	48.27	39.49	31.75
LT Debt / Total Capital	58.8	58.64	59.81	56.05	55.32
EBITDA/ Interest Exp	2.35	2.27	2.61	2.56	3.82
Net Debt / EBITDA	4.94	6.45	6.31	6.36	3.87

Valuation

We recommend Buying

We use A DCF model and comparable valuation.

Our analysis indicates the fair value of the stock ranges between

QAR 5.10 and 5.35

Residual Income Model Assumptions:

- Growth rate: We expect the bank to grow in earnings between 3% and 4%.

- Cost of equity ranging between 8.5% and 9.5%.

- Terminal Value: The growth rate in perpetuity is 3.0%.

Key Risks to Consider

- Geopolitical Risks: Regional instability and trade bottlenecks pose significant threats to Qatar's LNG exports, primarily transported through the Strait of Hormuz. Conflicts in this area could disrupt operations and impact financial performance.

- Variations in worldwide energy prices and changes in demand (such as the global movement towards renewable energy) can greatly affect revenue.

- Competition in the LNG Market: Although Qatar is a leading global exporter of LNG, it is encountering heightened competition from other producers, notably the US, Oman, and the UAE, particularly in significant Asian markets.

- Project Financing and Investment: Significant expansion projects, such as the North Field East expansion, require considerable financial resources. While Qatar has strong fiscal reserves, it is crucial to ensure the efficient financing and execution of these initiatives.

Disclaimer

Qatar Securities Company has prepared this report to provide an unbiased analysis of the business's performance. It's important to note that the assessment is based on assumptions that may vary in interpretation and may not be entirely accurate. This document focuses on evaluating the company's financial status, not as a solicitation to buy or sell. There may be a conflict of interest since this stock is part of investment portfolios managed by Qatar Securities Company.

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